THE BROTHERHOOD SISTER SOL, INC.

INDEPENDENT AUDITOR'S REPORT
ON
FINANCIAL STATEMENTS

AS OF AUGUST 31, 2022

AND

FOR THE YEAR THEN ENDED

(WITH COMPARATIVE TOTALS FOR 2021)

Winnie Tam & Co., P.C.

THE BROTHERHOOD SISTER SOL, INC.

-CONTENTS-

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MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Brotherhood Sister Sol, Inc.
New York, New York

Opinion

We have audited the accompanying financial statements of The Brotherhood Sister Sol, Inc., which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Brotherhood Sister Sol, Inc. as of August 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Brotherhood Sister Sol, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Brotherhood Sister Sol, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform auditing procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Brotherhood Sister Sol, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Brotherhood Sister Sol, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited The Brotherhood Sister Sol, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 3, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Winnie Lam & Co., P.C.

New York, New York
February 27, 2023

THE BROTHERHOOD SISTER SOL, INC.
STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021 **
ASSETS		
Current Assets		
Cash - Note 2	$ 1,300,247	$ 1,435,986
Accounts receivable	11,405	16,256
Grants and contributions receivable - Notes 2 and 4	646,250	303,000
Due from governmental agencies - Note 2	800,638	20,000
Prepaid expenses	157,009	374,333
Inventories, at lower of cost or market	20,372	20,372
Total Current Assets	2,935,921	2,169,947
Non-Current Assets		
Grants receivable - Notes 2 and 4	202,360	-
Construction in progress	-	16,695,477
Property and equipment, at cost, net of accumulated depreciation and amortization of $650,290 and $346,373 in 2022 and 2021, respectively - Notes 2 and 5	23,282,839	1,279,817
Collections of art work - Note 2	331,400	-
Security deposits	42,630	35,600
Total Assets	$ 26,795,150	$ 20,180,841
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Loans payable - Notes 2 and 6	$ 1,311,612	$ 656,654
Accounts and accrued expenses payable	384,326	254,562
Construction costs payable	658,851	2,903,721
Total Current Liabilities	2,354,789	3,814,937
Non-Current Liabilities		
Deferred rent payable - Note 8	4,159	4,096
Loans payable - Notes 2 and 6	2,632,582	2,038,041
Total Liabilities	4,991,530	5,857,074
NET ASSETS		
Net Assets		
Without donor restrictions	21,123,760	13,940,767
With donor restrictions - Note 10	679,860	383,000
Total Net Assets	21,803,620	14,323,767
Total Liabilities and Net Assets	$ 26,795,150	$ 20,180,841

** Reclassified for comparative purposes.

See accompanying notes to financial statements.

THE BROTHERHOOD SISTER SOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Operating Activities				
Support and Revenue				
Grants, contributions and fees from:				
Governmental agencies		$ 3,440,138	$ 3,440,138	$ 4,800,386
Foundations and trusts	$ 1,534,297	6,265,960	7,800,257	3,297,363
Individuals	752,489	203,775	956,264	1,704,936
Corporations	193,329	97,600	290,929	1,029,715
Church	150,000		150,000	100,000
Federation			-	555
Special events, net of direct event expenses of $286,490 in 2022	1,473,492		1,473,492	1,114,382
In-kind contributions - Notes 2 and 7	1,010,485		1,010,485	330,410
Fees for service	77,460		77,460	17,259
Program fees	5,700		5,700	-
Merchandise sales	5,937		5,937	3,489
Other income	11,422		11,422	2,958
Total Support and Revenue	5,214,611	10,007,473	15,222,084	12,401,453
Net assets released from restrictions - Note 9	9,710,613	(9,710,613)	-	-
Total Support and Revenue	14,925,224	296,860	15,222,084	12,401,453
Expenses				
Program Services	6,681,073		6,681,073	5,162,267
Supporting Services				
Administrative and general	882,332		882,332	593,313
Fund raising	639,509		639,509	720,121
Total Supporting Services	1,521,841		1,521,841	1,313,434
Total Expenses	8,202,914		8,202,914	6,475,701
Change in Net Assets from Operating Activities	6,722,310	296,860	7,019,170	5,925,752
Non-Operating Activities				
Interest income	486		486	2,982
Gain on extinguishment of debt	609,652		609,652	-
Loan fees and interest expense	(149,455)		(149,455)	(118,828)
	460,683	-	460,683	(115,846)
Change in Net Assets	7,182,993	296,860	7,479,853	5,809,906
Net Assets at beginning of year	13,940,767	383,000	14,323,767	8,513,861
Net Assets at end of year	$ 21,123,760	$ 679,860	$ 21,803,620	$ 14,323,767

See accompanying notes to financial statements.

THE BROTHERHOOD SISTER SOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Program Services	Supporting Services: Administrative and General	Supporting Services: Fundraising	Total Program and Supporting Services 2022	Total Program and Supporting Services 2021
Salaries	$ 2,952,428	$ 376,799	$ 353,482	$ 3,682,709	$ 2,883,646
Payroll taxes and employee benefits	838,969	107,072	100,446	1,046,487	887,780
Total Payroll and related expenses	3,791,397	483,871	453,928	4,729,196	3,771,426
Occupancy and space rental	333,813	37,577	518	371,908	251,337
Printing and publications	804	3,847	26,331	30,982	6,000
Equipment rental, repairs and maintenance	20,791	2,654	2,489	25,934	17,098
Telephone and communications	61,798	7,887	7,399	77,084	55,254
Meetings and conferences	15,497	506	57	16,060	7,462
Professional fees (including donated services of $171,876 in 2022 and $119,492 in 2021 - Notes 2 and 7)	408,173	93,103	66,285	567,561	674,641
Supplies and office expenses	197,491	66,502	376	264,369	176,058
Travel and transportation	109,951	2,426	1,813	114,190	50,804
Postage and mailing	17,678	991	1,033	19,702	8,201
Fees, dues and subscriptions	8,865	9,452	2,715	21,032	11,997
Marketing and promotion (including in-kind contributions of $470,800 in 2022 - Notes 2 and 7)	377,671	103,256	9,143	490,070	57,444
Food distribution (including donated food pantry of $36,409 in 2022 and $210,918 in 2021 - Notes 2 and 7)	539,488	13,035	2,955	555,478	721,203
Other program expenses	164,860	8,477	12,133	185,470	132,733
Program consultants	151,183			151,183	176,047
Honorarium and youth stipends	127,929			127,929	131,099
Insurance	66,869	8,534	8,006	83,409	74,087
Staff development	482	1,855		2,337	5,373
Credit card processing fees, bank fees and other charges	42,542	7,263		49,805	31,588
Miscellaneous expense	141		15,157	15,298	6,249
Total Expenses before depreciation and amortization	6,437,423	851,236	610,338	7,898,997	6,366,101
Depreciation and amortization	243,650	31,096	29,171	303,917	109,600
Total Expenses 2022	$ 6,681,073	$ 882,332	$ 639,509	$ 8,202,914	
Total Expenses 2021	$ 5,162,267	$ 593,313	$ 720,121		$ 6,475,701

** Reclassified for comparative purposes.

See accompanying notes to financial statements.

THE BROTHERHOOD SISTER SOL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
Cash Flows from Operating Activities		**
Change in Net Assets	$ 7,479,853	$ 5,809,906
Adjustments to reconcile changes in Net Assets to net cash (used in)/provided by operating activities:		
Gain on extinguishment of debt	(609,652)	-
Amortization of deferred loan costs	15,440	-
Interest expense - debt issuance costs	5,552	4,121
Depreciation and amortization	303,917	109,600
Grants and contributions for capital campaign	(6,540,491)	(5,447,788)
Changes in assets and liabilities:		
Decrease/(increase) in accounts receivable	4,851	(13,332)
(Increase)/decrease in grants and contributions receivable	(545,610)	750,530
Increase in due from governmental agencies	(780,638)	(20,000)
Decrease/(increase) in prepaid expenses	217,324	(222,279)
(Increase)/decrease in inventories and security deposits	(7,030)	9,750
Increase in accounts and accrued expenses payable	129,764	37,073
Increase/(decrease) in deferred rent payable	63	(9,374)
Net Cash (Used in)/Provided by Operating Activities	(326,657)	1,008,207
Cash Flows from Investing Activities		
Donated art work	(331,400)	-
Acquisition of fixed assets	(22,306,939)	-
Decrease/(increase) in construction in progress, net	14,450,607	(8,292,933)
Net Cash Used in Investing Activities	(8,187,732)	(8,292,933)
Cash Flows from Financing Activities		
Grants and contributions for capital campaign	6,540,491	5,447,788
Refund/(payment) of deferred loan costs	1,326	(109,405)
Proceeds from loans	2,055,000	2,200,000
Repayment of loans	(218,167)	(2,214,766)
Net Cash Provided by Financing Activities	8,378,650	5,323,617
Net Decrease in Cash	(135,739)	(1,961,109)
Cash balance at beginning of year	1,435,986	3,397,095
Cash balance at end of year	$ 1,300,247	$ 1,435,986
Supplemental Disclosure of Cash Flow Information:		
Donated art work	$ 331,400	$ -
Cash paid during the year for interest	$ 107,018	$ 179,073

** Reclassified for comparative purposes.

See accompanying notes to financial statements.

NOTE 1 ORGANIZATION

The Brotherhood Sister Sol, Inc. ("BroSis") is a unique youth development organization recognized for providing an innovative and highly successful model of comprehensive, holistic and long-term support services to youth who range in age from eight to twenty-two. BroSis offers wrap around evidence-based programming: offering four-to-six year rites of passage programming, after school care, counseling, summer camp, job training, college preparation, employment opportunities, activist training, community gardening, mental health support, intensive arts programming, and international study programs to Africa, South America and the Carribean. For the recent alumni members, BroSis provides support to ensure they remain in college or employed and they continue to make healthy and productive choices in their lives.

For more than 25 years, BroSis has been at the forefront of social justice, educating, organizing and training to challenge inequity and champion opportunity for all. BroSis educates: through its comprehensive educational programs, they are helping young people develop a critical understanding of their history, identity and role in society. BroSis organizes: together with its members, alumni, and partners, they are building on a legacy of youth-led activism to realize a more just and equitable future. BroSis trains: through its innovative training models, they are empowering educators and organizers to spark young agents of change across the nation.

BroSis is exempt from income taxes under Section 501(c)3 of the Internal Revenue Code and similar provisions of the State Code. Contributions to BroSis are tax deductible to donors under Section 170 of the IRC. BroSis is not classified as a private foundation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BroSis prepares its financial statements in accordance with generally accepted accounting principles ("GAAP") used in the United States of America by not-for-profit entities. The significant accounting and reporting policies used by BroSis are described below to enhance the usefulness and understandability of the financial statements.

a) The accompanying financial statements have been prepared using the accrual basis of accounting.

b) BroSis recognizes government and private grants as either contributions or exchange transaction revenues, depending on whether the transaction is reciprocal or not. For those recognized as contributions, revenue is recognized when a contract or grant becomes unconditional, that is, when the conditions on which they depend are substantially met.

(Continue)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Contracts and grants that are treated as exchange transactions are reported as revenue without donor restrictions when expenses are incurred in accordance with the terms of the agreement. The excess of amounts received in exchange transactions over the amount of expenditures incurred is classified as deferred revenue in the statement of financial position. If a contract or grant agreement contains a right of release from the respective obligation provision on the part of the grantor, and the agreement also contains a barrier to overcome, BroSis recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome.

Grants and contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Unconditional promises to give that are expected to be collected in less than one year are reflected as current promises to give and are reported at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are reflected as long-term promises to give and are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectibility of individual promises.

c) Cash consists of cash held in checking accounts and cash on hand. At year end and throughout the year, BroSis' cash balances were deposited in a high quality financial institution which, at times, may exceed the current insured amount under Federal Deposit Insurance Corporation ("FDIC") protection. Management believes that BroSis is not exposed to any significant credit risk on cash.

d) Land, buildings and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of $5,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Leasehold improvements are amortized over their estimated lives or the remaining term of the lease, whichever is shorter. Property and equipment are depreciated and amortized over their estimated useful lives using the straight-line method as follows:

Building	39 Years
Building improvements	7 to 39 Years
Computers and software	3 Years
Furniture and equipment	3 to 5 Years

(Continue)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

e) Inventories are stated at the lower of cost, determined by the LIFO method, or market.

f) Collections of art work were acquired through contributions for the new building. It is held for exhibition to the public and for educational purposes in furtherance of public service and not for financial gain. Collections are protected, kept unencumbered, cared for, and preserved. It is subject to a policy requiring any proceeds from the sale of collection items to be limited to direct care of existing collections or the acquisition of other collection items. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate class of net assets.

g) The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

h) BroSis' policy is to account for the forgivable loans received through the Small Business Administration ("SBA") under the *Coronavirus Aid, Relief, and Economic Security Act ("CARES Act")* Payment Protection Plan, as amended by the *Consolidated Appropriations Act 2022*, as debt in accordance with Accounting Standards Codification (ASC) 470, *Debt*, and other related accounting pronouncements.

(Continue)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The forgiveness of debt, in whole or in part, is recognized once the debt is extinguished, which occurs when Bro/Sis is legally released from the liability by the SBA. Any portion of debt forgiven, adjusted for accrued interest forgiven and unamortized debt issuance costs, is recorded as a gain on extinguishment of debt, and presented in the non-operating activities section on the statement of activities.

Debt issuance costs incurred in connection with the issuance of long-term debt are capitalized and amortized to interest expense over the term of the debt using a straight-line method, which approximates the effective interest method. The unamortized amount is presented as reduction of loans payable on the balance sheet.

i) Revenue from program fees and fees for service are recognized over the terms of the program and the period of services provided. Amounts collected in advance but unearned are reflected in the statement of financial position as deferred revenue.

j) The portion of sponsorship revenue and attendee fees that relates to the commensurate value the sponsor and attendee received in return is recognized when the related events are held and performance obligations are met.

k) Donated materials and other non-cash donations are recorded as contributions at their fair values at the time of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. BroSis reports expirations of donor restrictions when the donated assets are placed in service, if applicable, as instructed by the donor. BroSis reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals possessing those skills, and would otherwise be purchased by BroSis. BroSis also received donated services from other contributors and volunteers that do not meet the criteria for recognition, and therefore, are excluded from the financial statements.

l) The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, BroSis' management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances.

(Continue)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

BroSis' management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

m) BroSis adopted *Financial Accounting Standards Board* ("FASB") guidance on uncertain income tax positions in its financial statements. BroSis recognizes the effect of tax positions only when they are more likely than not of being sustained. Management is not aware of any violation of its tax status as an organization exempt from income taxes.

n) The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with BroSis' financial statements for the year ended August 31, 2021, from which the summarized information was derived.

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of August 31, 2022 are:

Financial Assets:	
Cash	$ 1,300,247
Accounts receivable	11,405
Grants and contributions receivable	848,610
Due from governmental agencies	800,638
Total Financial Assets	2,960,900
Less financial assets not available within one year:	
Grants receivable (Note 4)	(202,360)
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets (Note 10)	(604,860)
Amount available for general Expenditures within one year	$ 2,153,680

(Continue)

NOTE 3 LIQUIDITY AND AVAILABILITY - (Continued)

As part of the liquidity management plan, BroSis invests cash in excess of daily requirements in interest-bearing checking accounts. In addition, to manage liquidity, BroSis has trade credit with a major credit card company with no preset spending limit. As of August 31, 2022, there was a balance of $187,263. This amount is reported as accounts and accrued expenses payable in the statement of position.

NOTE 4 PROMISES TO GIVE

Unconditional promises to give as of August 31, 2022 are as follows:

Receivable in less than one year	$ 646,250
Receivable in one to five years	202,500
Total unconditional promises to give	848,750
Less: net present value discount	(140)
Net unconditional promises to give	$ 848,610

Current	$ 646,250
Non-current	202,360
Net unconditional promises to give	$ 848,610

Long-term promises to give are recognized at fair value, using present value techniques and a discount rate of 3.54%.

BroSis also received a conditional promise to give of $786,000 from the City and State of New York for its capital development project acting by and through New York City Department of Design and Construction ("DDC") that are contingent upon the successful execution of the contract. DDC will oversee this Technology funding of $786,000 committed by the City and will pay for these expenses on an reimbursement basis.

NOTE 5 FIXED ASSETS

As of August 31, 2022, the costs of the assets and the related accumulated depreciation and amortization were as follows:

Land	$ 1,246,883
Building and improvements	21,402,793
Furniture and equipment	375,260
Computer and software	550,012
Leasehold improvements	358,181
	23,933,129
Less: accumulated depreciation and amortization	(650,290)
Net	$ 23,282,839

Depreciation and amortization expense for the year ended August 31, 2022 was $303,917.

NOTE 6 LOANS PAYABLE

On August 30, 2021, BroSis entered into a loan agreement with a financial institution for available funds of up to $3,400,000. BroSis has received the initial advance of $2,200,000 to refinance outstanding loans from previous years. The loan agreement provides for, among other matters, an annual interest rate of 3.82% payable in equal monthly payments for interest and principal over seven (7) years with balance of the principal due on September 10, 2028. The amortization of principal is calculated over twenty (20) years. The loan is collateralized by the property located at 512 West 143rd Street and 514 West 143rd Street.

In September 2021, BroSis has made a down payment on property located at 510 West 143rd Street. BroSis may use the remaining proceeds of the loan of $1,200,000 to purchase this property once the sale has been finalized. As of August 31, 2022, the outstanding balance of the loan was $2,131,833.

On February 14, 2022, BroSis obtained a line of credit with the same financial institution for $1 million dollars. The line of credit bears an annual interest rate equal to 6.50% and is collateralized by the assets of BroSis held by the financial institution. The primary purpose of this line of credit is to provide BroSis with working capital for its programs. As of August 31, 2022, there was a balance due on the line of credit of $1,000,000.

(Continue)

NOTE 6 LOANS PAYABLE - (Continued)

On April 18, 2022, BroSis also received a bridge loan of $655,000 with the same financial institution. The loan agreement provides for, among other matters, a fluctuating interest rate per annum equal to the greater of (i) the sum of the prime rate, as published in *The Wall Street Journal*, plus 1% and (ii) 4.25%. The loan is collateralized by the New York City Department of Design and Construction ("DDC") contract. It is due on the earliest to occur of (i) October 18, 2023 and (ii) five (5) business days following the date on which BroSis receives the reimbursement funds from DDC. As of August 31, 2022, the outstanding balance was $655,000.

On August 23, 2022, BroSis received an unsecured non-interest bearing loan of $250,000 from a board member. The loan can be expended only for the capital development project and general operations of BroSis and was due by November 30, 2022. This loan was subsequently paid in full on December 29, 2022.

In addition, BroSis had incurred $109,405 in refinancing costs. As of August 31, 2022, total outstanding loans, net of unamortized debt issuance costs of $108,079, was $3,944,194, payable as follows:

Year ending August 31	
2023	$ 1,311,612
2024	719,416
2025	67,782
2026	71,063
2028	74,473
Subsequent to 2028	1,699,848
Total	3,944,194
Current portion	1,311,612
Non-current portion	$ 2,632,582

NOTE 7 NON-CASH CONTRIBUTIONS

In-kind contributions received during the year consist of the following:

Donated marketing	$ 470,800
Donated services	171,876
Donated food pantry	36,409
Total	$ 679,085

(Continue)

NOTE 7 NON-CASH CONTRIBUTIONS - (Continued)

BroSis also received donated art work of $331,400 to be displayed in the newly constructed building.

NOTE 8 COMMITMENT

In December 2017, BroSis entered into a lease agreement for its transitional housing space under an operating lease expiring on December 31, 2021 with the rent commencement date of January 1, 2018. In December 2021, the operating lease was renewed and extended for four (4) years, which will expire on December 31, 2025. The future minimum lease payments, exclusive of certain escalation costs, are as follows:

Year ending August 31	
2023	$ 207,938
2024	212,097
2025	216,339
2026	72,587
Total	$ 708,961

For financial statement purposes, total rent expenses are accounted for on a straight-line basis. Accordingly, the accompanying statement of financial position reflects the liability for deferred rent for the excess of the rent expense charged under generally accepted accounting principles over the rent paid pursuant to the lease term. As of August 31, 2022, the amount of deferred rent payable was $4,159.

NOTE 9 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions during the year ended August 31, 2022 were as follows:

Satisfaction of purpose restrictions:	
Capital Campaign	$ 6,560,491
Capacity Building	650,000
COVID-19 Relief Efforts	69,900
Environmental Education	100,000
Liberation Program	100,000
Programmatic Support	2,065,222
Rites of Passage	15,000
	9,560,613

(Continue)

NOTE 9 NET ASSETS RELEASED FROM RESTRICTIONS - (Continued)

Satisfaction of time restrictions:	
General Support designated for 2022	$ 150,000
Total	$ 9,710,613

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

As of August 31, 2022, net assets with donor restrictions are available for the following:

Purpose restrictions, available for spending:	
Programmatic Support	$ 604,860
Time restrictions:	
Time restricted support, which are unavailable for spending until the time stipulated by donors	75,000
Total Net Assets with Donor Restrictions	$ 679,860

NOTE 11 PENSION PLAN

Effective November 1, 2018, BroSis adopted a defined contribution pension plan that covers all employees who have completed six months of service. Contribution to the plan is based on three (3) percent of employees' salaries. Pension expenses for the year included contributions for the year ended August 31, 2022 of $88,402.

Effective December 1, 2019, BroSis also adopted a deferred compensation plan that covers employer designated eligible employees. Amounts deferred each year are at the discretion of the employer. Deferred compensation expense for the year ended August 31, 2022 was $28,167.

NOTE 12 FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing BroSis' services have been summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service.

(Continue)

NOTE 12 FUNCTIONAL ALLOCATION OF EXPENSES - (Continued)

Costs common to multiple functions have been allocated among the various functions benefitted using a reasonable allocation method that is consistently applied.

Administrative and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

NOTE 13 SUBSEQUENT EVENTS

BroSis has evaluated subsequent events through February 27, 2023, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.

NOTE 14 RECENT ACCOUNTING PRONOUNCEMENTS

In September 2020, the Financial Accounting Standards Board ("FASB") issued the Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. BroSis has adopted and implemented this pronouncement on September 1, 2021 using the prospective method of application.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This update includes a lease accounting model that recognizes two types of leases -- finance leases and operating lease. The standard requires that a leasee recognize on the balance sheet assets and liabilities relating to leases with terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a leasee will depend on its classification as a finance or operating lease. This ASU is effective for fiscal years beginning after December 15, 2021. BroSis will be required to record a "right of use" asset and a lease liability payable and believes the increase in assets and liabilities for all of its existing leases upon adoption may be material. BroSis is currently evaluating the impact of this adoption including the use of practice expedients provided in the guidance.

(Continue)

NOTE 14 RECENT ACCOUNTING PRONOUNCEMENTS - (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) and in June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958)*: Clarifying the Scope and the Accounting Guidance for Contributions received and Contributions Made*. The amendments in this update should assist in evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. BroSis had adopted both ASU 2014-09 and 2019-08 in fiscal year 2020 and the adoption did not have a material impact on its financial statements.